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STATE FOR EB, EUR, AND S/CT

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SUBJECT: TERRORIST/WMD FINANCING: A/S WAYNE DISCUSSES U.S. PRIORITIES WITH FRANCE

REF: PARIS 2593

Classified By: Econ Counselor Kenneth Merten for reasons 1.4 (b) and (d).

#### SUMMARY

1. (C) French officials are interested in continuing and deepening collaboration with the USG on terrorist financing and WMD financing issues and will consider further cooperative efforts. They are open to exploring use of financial tools against WMD procurement networks. They would appreciate more public appreciation from the USG for ongoing cooperation. End Summary.

2. (U) On 20 April, EB Assistant Secretary E. Anthony Wayne met with French MFA Strategic Affairs Director (A/S-equivalent) Philippe Carre, Deputy Director for Strategic Affairs Paul Dahan, Deputy Director for Economic and Financial Affairs Jacques Maillard, Office Director for Security Affairs Pierre Thenard, and Desk officer for Counter-Terrorism Affairs Stefan Levy to review U.S.-French cooperation on terrorism financing and WMD financing issues. Embassy Political Minister-Counselor and Econ Counselor accompanied A/S Wayne.

3. (S) A/S Wayne opened by noting the USG's appreciation for the excellent cooperation with the GOF on terrorist financing issues. He noted too that the U.S. would continue to work with France on the JUD/IKK alias issue. On the IKK, Dahan interjected that French (DGSE) and U.S. intelligence should now discuss both sides' information on the IKK. The French intelligence community believes IKK is not an alias of JUD but a separate group, said Carre. Nevertheless, the services agree that JUD and IKK are terrorist in nature and hope we can agree on how to proceed at the UN on an IKK designation. A/S Wayne thanked Dahan and said that this was a good example of practical coordination between the U.S. and France. Many countries, he added, do not take combating terrorist financing as seriously as the GOF, and he wanted to let his interlocutors know that the USG appreciated French seriousness and diligence.

#### Due Process

4. (C) Turning to the UN, A/S Wayne called Carre's attention to the "due process" discussion currently underway in New York. This, he explained, was an effort to allow those who have been designated to clear their name if they were not guilty of supporting terrorism. A/S Wayne said there needed to be a P-5 response to this effort and that the USG would be sharing a paper highlighting USG views on how to approach the "due process" issue shortly. He noted that two areas merited the most attention: 1) the need for a forum or a mechanism to deal with complaints from those who claim to have been erroneously listed; and 2) individuals/organizations need to be notified when they have been listed. Carre said the U.S. paper would be very welcome. "We can only sustain this process if we can prove that we are doing things legitimately and not behind peoples' backs," he said. A/S Wayne added that the USG thought that naming an ombudsman of sorts was not a good idea, an assertion to which Carre heartily agreed saying there should be no second guessing of UNSC Chapter VII actions.

#### Financing WMD

5. (C) On the financing of WMD, A/S Wayne suggested that we should consider how we can use terrorist financing tools in the fight against the proliferation of these weapons. He reminded Carre of Treasury U/S Levey's February letter and suggested that the U.S., France and a few other countries meet to discuss the issue informally. He said the USG did not have a formal proposal at this point, but suggested that it would be good to get key countries together to see if there was a meeting of minds.

6. (C) Carre responded that this suggestion might not be easy, in part because he had the Russians "on his back." In addition, because Resolution 1540 prescribed national legislation, Carre suggested that the U.S., France and others "interpret that as widely as we can before we look at

changing the resolution." A/S Wayne noted that U/S Levey was looking at the issue and what could be done within the strictures of UNSCR 1540. Nevertheless, every country does not have appropriate national tools available. Again, A/S Wayne suggested, it was probably worth discussing further to determine what could eventually be agreed upon.

17. (C) Endorsing the USG's interest in fighting WMD proliferators with terrorist financing tools, Carre observed that acts of terrorism actually required comparatively few financial resources. Financing WMD proliferation, on the other hand, required significant financial resources, backing, and transfers of some sort. Moreover, he opined, the people assisting in the proliferation and building of WMD were more likely to "be in it for the money" than the terrorists themselves. This, he suspected, left them more vulnerable to being exposed by financial transfers. In fighting this scourge, he said, we are fighting "weak companies, officials after bribes, and (unscrupulous) businessmen," all of whom are likely to be more "rational" than terrorists. Carre added that France was looking at how it could adapt its legislation to these realities. The present legislation requires that individuals be identified as terrorists. This will likely mean that France will need to revise its legislation.

18. (C) Dahan added that the "Sarkozy Law" (named after a package of domestic security laws proposed by Interior Minister Sarkozy in summer 2005 and approved in January 2006) gave the GOF better tools on terrorist financing and on asset freezing. Prior to the passage of that law, GOF officials had been using older currency control legislation to take action against individuals who had been designated. The "Sarkozy Law" gives officials stronger authority to implement EU Clearinghouse decisions as well as a new "emergency" provision allowing the GOF at an administrative level to freeze assets of an individual for 72 hours.

19. (C) Carre noted that he had approved a response to U/S Levey's February letter, and passed a draft copy to Econ Couns (to be transmitted septel). Thenard cautioned that an official translation had not yet been prepared by the translation services, and that this copy should not be seen as definitive. Carre made clear his interest in exploring the question with the U.S.

#### "Charities"

10. (C) A/S Wayne explained that the USG was looking at pulling together a list of best practices in dealing with charities which may divert some of their receipts to terrorist organizations. Dahan interjected that the GOF has just released a White Paper on confronting international terrorism. In this paper, which would likely form the basis of future legislation, the GOF proposes that all charities have an independent auditor and regularly share their books with government officials.

11. (C) A/S Wayne added that countries' goals should not be to stop the transfer of money to legitimate charities; those organizations can perform valuable functions. The goal should be to determine how the organizations can most effectively be audited and monitored to prevent abuse. A/S Wayne also noted that the U.S. was looking at ways to monitor cash couriers, a method of cash transfer which remained relatively unregulated and thus open to misuse.

12. (C) Carre noted that he had discussions on the cash transfer issue with German officials. He lamented that although Germany has passed legislation requiring information on transfers out of the country, purchases by mafia bosses, for example, of restaurants and hotels continued unobserved and unmonitored by German officials. A/S Wayne responded that FATF is also looking into what could be done regarding cash transfers.

#### Defining "Terrorist"

13. (C) Carre then noted that interested countries needed to come to a clearer definition of who exactly is considered a terrorist. The GOF, for example, used a narrower definition of the word than the U.S. Carre commented that the U.S. appears to use a "broad brush" definition which, in the French opinion, did not always make it easier to get governments on the USG's side and to pass necessary counter-terrorism legislation. He said he had mentioned this to Counselor Zelikow but wanted to reiterate it.

#### Hamas/Hizbollah

14. (C) A/S Wayne said the discussion over what constitutes a terrorist was a natural lead-in to the whole question of Hamas. He asked if the GOF was aware that an appeal had been reported by Reuters urging contributions to be made to an Egyptian Bank which was a subsidiary of French bank Societe Generale. Carre was unaware of the issue but promised to

look into it. A/S Wayne provided the press report. (Note: he had probably not yet been briefed by the Middle East Directorate or the Finance Ministry, both of which received Embassy's demarche on this subject the previous day; see reftel.) A/S Wayne stressed that this question was an important one for the USG. Carre understood.

¶15. (C) A/S Wayne also noted that the USG had designated Al Manar recently, adding that he understood France had taken steps against Al Manar under hate speech legislation. Carre noted wryly that the U.S., France and others would have a "difficult time if all these groups" eventually came to power in the Middle East. Nevertheless, he noted, he and his CT office agreed that the military wing of Hizbollah should be on the designation list. Despite this, Carre did not know where France would finally "come out" on Hizbollah: "Our goal is the dissolution of the military wing through implementation of (UNSCR) 1559."

#### Cooperation

¶16. (C) A/S Wayne noted that the U.S. would welcome increased U.S.-French cooperation on UN 1267 listings, and urged Carre to consider doing a joint presentation to the committee on French efforts against financing of terrorism. Carre nodded in agreement. He replied that he appreciated the thanks he and other GOF officials receive from USG officials on the excellent U.S.-French cooperation on terrorist financing issues. He asked, however, if these positive comments could occasionally be made more publicly. "We in France," he continued, "take this seriously and react professionally;" an occasional public acknowledgement would be much appreciated. A/S Wayne suggested that France consider making a joint presentation with the U.S. to the UN 1267 committee. That, he suggested, would send a strong public signal of U.S.-French cooperation. Carre said he looked forward to upcoming consultations with Ambassador Crumpton on CT.

¶17. (C) A/S Wayne then briefed Carre on other issues such as energy security (septel) and what the U.S. was doing to combat terrorist safe havens. He explained that the U.S. was looking at the feasibility of designating "reconstruction opportunity zones" in the often isolated, poor and underdeveloped regions in Pakistan and in Afghanistan. A designated region could perhaps benefit from preferential import duty treatment, or be the target of enhanced development assistance. This may be a way to use economic tools effectively as part of the broader CT effort.

¶18. (C) Just before leaving, Thenard asked whether the U.S. would be pushing in the G8 pre-summit discussions for increased action under paragraph 10 of the Gleneagles Non-Proliferation statement (the PSI section). "Will the U.S. push to get more on this, or is the Gleneagles statement enough?" he asked. Thenard said the French were not themselves pushing for this, but wanted clarification if the U.S. would prefer: a) no reference; b) a reference to what had been accomplished since Gleneagles; or c) to follow-up work the G8 envisions. A/S Wayne promised to pass this query back to his colleagues in Washington and get a response.

¶18. (U) A/S Wayne cleared this message.

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